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**THE INTERNATIONAL FINANCIAL POSI-
TION OF THE UNITED STATES**

**STUDIES OF INTERNATIONAL
PROBLEMS**

PUBLISHED BY

**NATIONAL INDUSTRIAL CONFERENCE
BOARD, INC.**

247 Park Avenue, New York

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THE INTERNATIONAL
FINANCIAL POSITION
OF
THE UNITED STATES



NATIONAL INDUSTRIAL CONFERENCE BOARD, Inc.
NEW YORK

1929

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May, 1929
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PREFACE

IT IS generally recognized that the World War marked a significant turning point in the position of the United States in international affairs. The part which destiny compelled the United States to play in this great disturbance of normal international relationships accelerated and concentrated within a few years changes in the international political and economic position of this country which might naturally have developed in the course of time but otherwise would have taken many years to bring to fruition.

In the economic sphere, especially, the rapid alteration and extension of the international business relations of the United States has steadily and with growing insistence impressed itself upon the attention of thoughtful and forward-looking American business men in the years since the war. It has been recognized with increasing clearness that the new international position of this country in the world economy has carried and will carry with it important and far-reaching consequences for our financial system, our industrial structure and our trade relations. These years have brought with them significant developments in domestic banking conditions, vast changes in the organization and methods of domestic industry and commerce, and radical departures in immigration and foreign trade policies which have wide implications for the future of international relations as well as the national prosperity. Yet the changes have been so rapid and pervasive that their significance is not generally realized. A great task of investigation and enlightenment lies before the American business community in order that it may have that clear and broad understanding of these problems needed to guide it wisely in the process of adjustment which will inevitably take place through many years to come.

In recognition of this need, the National Industrial Conference Board in 1925 turned its attention to one aspect of the international economic relations of the United States, which was then uppermost in the public mind, that of the nature and significance for American industry and trade of

the huge structure of intergovernmental indebtedness left by the war. In its study entitled "The Inter-Allied Debts and the United States," published in that year, the Conference Board undertook to analyze the circumstances and origin of these debts, their relation to the fiscal situation in the various countries affected and the relation of their liquidation, on the basis then contemplated, to the industry and trade of this and other countries. Since that time, of course, the factors involved in this specific problem have been greatly altered, vastly multiplied and made much more complex through the process of negotiation of intergovernmental debt funding agreements, through the establishment of the Dawes Reparations Plan and its replacement by a new reparations settlement this year and, finally, what is of far greater importance, the extension of private American financial interests in foreign countries. The problem of intergovernmental indebtedness has thus been merged into the broader problem of the international financial relations of the United States in their many aspects. The need today, therefore, is for a clear and comprehensive view of the international financial position of this country after the lapse of ten years of post-war development and readjustment in our world economic relations.

¶ The purpose of the present volume is to provide the basis for such a broad view and clear understanding through a careful analysis of the significant features of the development of American international financial relations prior to, during and since the World War, with special emphasis upon the bearing of this development upon American trade relations and domestic banking conditions. Although the interest of this study is primarily financial, it is recognized that in the final analysis the financial aspect of international relations is a reflection or an expression of the international exchange of goods and services which constitutes the business life of the world and finally rests upon and reflects the development of productive industry. For this reason the present study looks forward to, and prepares the way for, a separate and detailed analysis of American export and import trade and, separately, of changes in industrial organization in the United States and other industrial nations.

In so vast and complex a field of problems it is inevitable that the conclusions of any study must be tentative and subject to change and qualification with the passage of time and the pressure of events. But the method of all science is a process of progress from the known to the unknown; and it is only in the light of the lessons of past experience that the future can be revealed. It is hoped, therefore, that the retrospective view of the development of the international economic relations of the United States, which this and other contemplated studies are designed to provide, will afford some basis upon which the American business community may more soundly and effectively prepare itself for what the future may bring.

In the preparation of this study the Conference Board has greatly benefited by the cooperation and suggestions of its Advisory Committee on International Economic Problems, composed of men of special knowledge and broad experience in this field, to whom the Conference Board wishes to express its indebtedness, viz.:

- Fred I. Kent, Director, Bankers Trust Company, New York City, *Committee Chairman.*
A. Farwell Bemis, Chairman, Bemis Bros. Bag Company, Boston, Mass.
Charles Cheney, President, Cheney Brothers, South Manchester, Conn.
William L. Clause, Chairman, Pittsburgh Plate Glass Company, Pittsburgh, Pa.
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George E. Roberts, Vice-President, National City Bank, New York City.
Alfred P. Sloan, Jr., President, General Motors Corporation, New York City.

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In the preparation of its studies, the National Industrial Conference Board avails itself of the experience and judgment of the business executives who compose its membership, and of recognized authorities in special fields, in addition to the scientific knowledge and equipment of its Research Staff. The publications of the Board thus finally represent the result of scientific investigation and broad business experience, and the conclusions expressed therein are those of the Conference Board as a body.

This study was made and the present volume prepared by Mr. Ralph A. Young of the Conference Board's Research Staff, under the general supervision of the Board's Staff Economic Council and the guidance of Mr. Virgil Jordan, Chief Economist of the Conference Board.

MAGNUS W. ALEXANDER,
President.

New York City
May, 1929

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APPENDICES

THE BALANCE OF INTERNATIONAL PAYMENTS

(Sources: U. S. Department of Commerce from 1922 to 1928. Provisional)

(In millions)

Item	Credits, Reflecting Payments Into the United States									
	1920	1921	1922	1923	1924	1925	1926	1927	1928	
<i>Merchandise Exported</i>	8,525	4,683	4,021	4,368	4,834	5,177	5,044	5,091	5,334	
Merchandise.....	8,229	4,485	3,832	4,167	4,591	4,910	4,809	4,865	5,129	
Silver.....	114	52	63	72	110	99	92	76	87	
Miscellaneous ¹	182	146	126	129	133	168	143	150	..	
<i>Gold Exported</i>	364	51	41	34	108	277	166	384	629	
Gold.....	347	24	37	29	62	262	116	201	561	
Changes in earmarked gold ²	17	27	4	5	46	15	50	183	68	
<i>Securities and Other Claims to Wealth Exported</i>	860	425	804	890	1,041	1,337	1,585	1,933	2,457	
Outstanding securities:										
American and foreign ³.....	..	73	491	617	574	746	964	1,259	2,076
Direct investments of foreigners ⁴	25	25	30	46	61	76	83	79	120	
Refunding to Americans ⁵	151	44	99	74	214	231	176	235	237	
Redemption and sinking fund receipts ⁶	571	255	92	81	119	221	322	304	361	
U. S. Currency ⁷	103	..	40	50	..	..	..	..	..
Discount on new foreign securities ⁸	10	28	52	22	73	63	40	56	63	
Interest Receipts.....	450	509	555	594	635	689	740	800	882	
Receipts from long-term investments abroad ⁹	420	475	530	564	600	644	683	743	817	
Short-term interest and commission receipts ¹⁰	30	34	25	30	35	45	57	57	65	
U. S. Government Receipts from War Debts and Credits.....	57	131	226	307	194	186	195	206	210	
Interest ¹¹	6	40	126	167	160	160	160	160	160	
Principal ¹²	51	91	100	134	34	26	35	46	50	
Receipts for Services Rendered.....	698	543	569	572	631	615	705	746	736	
Freight services ¹³	298	133	121	108	126	117	127	140	143	
Services to government ¹⁴	40	40	43	32	47	30	46	57	53	
Motion picture royalties ¹⁵	130	40	50	60	70	75	75	75	70	
Insurance and financial ¹⁶	103	104	119	99	128	134	161	143	139	
Tourist services ¹⁷	140	140	140	164	160	175	217	252	257	
Immigrant remittances ¹⁸	45	45	45	66	56	40	35	35	28	
Miscellaneous ¹⁹	42	41	42	43	44	44	44	44	46	
Unfunded Credits:										
Net flow of short-term funds.....	..	..	375	3	216	..	359	..	..
Net Unaccounted for:										
Errors and omissions.....	..	319	45	..	..	36	48	..	..
Total.....	10,954	6,661	6,627	6,762	7,659	8,317	8,842	9,160	10,648	

¹ Based on information furnished by Ray O. Hall, Assistant Chief, Finance and Investment Division, Bureau of Foreign and Domestic Commerce, and includes the latest revised figures. The arrangement here has been modified slightly from the original Department of Commerce presentation.

² Miscellaneous credits include bunker coal and oil sales, sale of vessels and unrecorded parcel-post shipments. Miscellaneous debits includes the same plus an adjustment figure for year-end lags, for loss on merchandise shipped and for smuggling. For 1920 and 1921 figures, ratios of foreign bunker fuel sales to total bunker exports as revealed by Department of Commerce estimates in later years were used. Statistics of bunker fuel exports may be found in the U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, "Statistical Abstract of the United States for 1928," pp. 730 and 737. Bunker fuel imports were similarly estimated by applying ratios of bunker fuel imports to bunker fuel exports of later years. Williams estimated sales of ships in 1920 at \$20 millions, "The Balance of International Payments of the United States for the Year 1920," *op. cit.*, p. 193. On the basis of statistics of tonnage sold and bought in fiscal years ending June 30, 1921 and 1922, U. S. Department of Commerce, Bureau of Navigation, "Merchant Marine Statistics, 1926," pp. 38-9, an allowance of \$10 millions for both credits and debits is made for 1921. Estimates of unrecorded parcel post shipments are taken at \$30 millions both ways, the Department of Commerce estimate for the years, 1922, 1923 and 1924. The amounts of \$275 millions in 1920 and \$175 millions in 1921 are allowed for miscellaneous merchandise adjustments, a debit.

³ For 1920 and 1921, from the Federal Reserve Board, "Annual Report," 1927, p. 78.

⁴ See footnote 2 to Table 10 of this volume for 1920 and 1921 sources.

⁵ Includes both American and foreign securities. For 1920 and 1921 figures, see *Trade Information Bulletin*, No. 144, p. 8.

⁶ Williams in his 1920 balance of payments study, *op. cit.*, p. 190, as well as in his 1921 study, *op. cit.*, p. 202, estimated direct American investments at \$200 millions. Owing to later Department of Commerce estimates for interest and dividend payments to Americans from private foreign investments, the figure for 1920 has been raised to \$300 millions.

⁷ Direct investments of foreigners and resale to foreigners of American direct investments. A figure of \$25 millions is assumed to be approximate for 1920 and 1921 in view of Department of Commerce estimates for later years.

⁸ See Table 10 of this volume.

⁹ See Williams' previously cited studies of America's balance of payments in 1920 and 1921 for redemption and sinking fund payments to Americans in those years, p. 188 of 1920 study and p. 202 of the 1921 study. Arbitrary estimates are employed for sinking fund payments of Americans to foreigners in the same years, corresponding generally with Department of Commerce estimates for later years. The 1920 figure is assumed to include the United States Government repayment of the Spanish credit, arranged in 1918.

¹⁰ For 1920, see Williams' study for that year, p. 184. For 1921, see the *Federal Reserve Bulletin*, Vol. 7, Nov., 1921, p. 1263.

¹¹ For the 1920 and 1921 figures, see Table 10 of this volume.

¹² Figures for 1920 and 1921 are conservatively estimated with regard for later estimates of interest and dividend payments of foreigners to Americans by the Department of Commerce. Earlier estimates for this item were clearly too low.

¹³ An arbitrary entry of \$100 millions for 1920 and 1921. This was the figure arrived at by Williams in his study for 1920, *op. cit.*, p. 192, and for 1921, *op. cit.*, p. 202.

¹⁴ Based upon estimates of short-term balances of foreigners in the United States and of Americans abroad referred to in footnote 29. Ratios of short-term interest to international balances evident in later balance of payments statements were employed to obtain these estimates.

DIX A

OF THE UNITED STATES, 1920-1928

compilation for 1920 and 1921 by the National Industrial Conference Board
of dollars)

Item	Debits, Reflecting Payments Out of the United States								
	1920	1921	1922	1923	1924	1925	1926	1927	1928
Merchandise Imported	5,778	2,859	3,432	6,162	3,952	6,544	6,766	6,508	4,497
Merchandise	5,279	2,509	3,113	3,792	3,610	4,227	4,431	4,184	4,091
Silver	88	63	71	74	74	64	69	55	68
Miscellaneous*	411	287	248	296	268	253	266	269	338
Gold Imported	393	696	275	329	324	175	238	230	357
Gold	392	691	275	323	320	128	214	207	169
Changes in earmarked gold ¹	1	5	..	6	4	47	24	23	188
Securities and Other Claims to Wealth	1,725	1,273	1,498	836	1,846	1,983	2,206	2,691	3,652
New offerings of foreign securities ²	636	675	827	487	1,215	1,303	1,306	1,537	1,483
Outstanding securities: American & foreign ³	739	253	510	252	443	371	595	827	1,721
Direct American investments abroad ⁴	300	200	116	47	113	219	240	257	378
Redemption and sinking fund payments ⁵	50	45	45	50	55	60	65	70	70
U. S. Currency imported ⁶	..	100	..	..	..	20	30	..	..
Interest Payments	735	720	144	180	192	229	268	281	359
Payments for long-term investments of foreigners ⁷	100	100	120	140	150	165	190	203	252
Short-term interest and commission payments ⁸	35	20	24	40	42	64	78	78	107
Government Advances	246	85	53	..	..	..	..	..	..
Direct advances of U. S. Govt. to foreign govts. ⁹	138	17	..	..	..	..	..	..	..
U. S. Grain Corp. ¹⁰	57	..	..	..	..	..	..	..	..
Credits by American Relief Administration ¹¹	5	..	..	..	..	..	..	..	..
Credits by U. S. War Finance Corp. ¹²	46	68	53	..	..	..	..	..	..
Payments for Services Rendered	1,664	1,193	1,225	1,217	1,285	1,325	1,364	1,403	1,517
Freight services ¹³	290	160	200	191	190	201	222	206	227
Services to U. S. Government ¹⁴	140	80	89	98	100	91	95	86	110
Motion picture royalties ¹⁵	..	1	2	3	4	4	4	4	6
Insurance services ¹⁶	70	70	70	70	70	70	70	70	70
Tourist services ¹⁷	420	440	445	444	533	585	623	696	782
Immigrant remittances ¹⁸	700	400	300	295	285	275	253	241	217
Charitable contributions	..	700	400	300	295	285	275	253	241
Miscellaneous ¹⁹	44	42	44	46	55	50	46	49	52
Unfunded Debts:	..	..	..	..	..	..	..	..	..
Net flow of short-term funds ²⁰	985	435	..	..	..	61	..	..	226
Net Unaccounted for:	..	..	..	..	..	..	..	..	..
Errors and omissions	28	..	..	38	60	..	..	47	40
Total	10,954	6,661	6,627	6,762	7,659	8,317	8,842	9,160	10,648

¹ See Williams, 1920, *op. cit.*, p. 185, and 1921, *op. cit.*, p. 212.

² Williams, 1920, *op. cit.*, p. 185.

³ United States Treasury, "Annual Report," 1921, p. 34.

⁴ *Ibid.*, 1920, p. 48; 1921, p. 55, and 1922, p. 37. These credits were by means of one year notes.

⁵ The figures for 1920 and 1921 are from Williams, 1920, *op. cit.*, p. 185, and 1921, *op. cit.*, p. 212.

⁶ From 1920 to 1924, repayment of United States War Finance Corporation advances is included. See the United States Treasury, "Annual Report," 1920, p. 48; 1921, p. 55; and 1923, p. 37; 1925, p. 47; and 1924, p. 71.

⁷ Estimates of freight services for 1920 and 1921 have been made as nearly comparable with later Department of Commerce figures as available data permit. Ratios of freight receivable to exports earned in American vessels and of freight payable to imports carried in foreign vessels evident from 1922 on are the main basis of the figures arrived at. Allowances for land freight receivable and payable were determined similarly by applying average ratios of these payments after 1922 to imports and exports by land. The Department of Commerce estimate of land freights receivable are based, however, upon estimates of earnings on transit shipments and do not include estimated receipts for exports by land. At best, the resulting figures are only rough, but they are much more accurate than those made by earlier compilers.

⁸ For 1920 and 1921 figures of services to the United States Government, see Williams, 1920, *op. cit.*, p. 185, and 1921, *op. cit.*, p. 212. An allowance has been made in both years to care for miscellaneous government expenditures. Foreign government expenditures in the United States for various services are reckoned arbitrarily at \$40 millions.

⁹ Motion picture royalties receivable for 1921 are from *Trade Information Bulletin*, No. 399, p. 13. The 1920 figure is arbitrary on the basis of later estimates. The motion picture royalties payable figure for 1921 is arbitrary.

¹⁰ The Department of Commerce estimate for later years is assumed to apply in 1920 and 1921.

¹¹ Underwriter's commissions and insurance services. Estimates for former for 1920 and 1921 are contained in sources given in footnote (3). Insurance service exports are assumed to have been approximately \$70 millions, their 1922 amount as figured by the Department of Commerce.

¹² In both 1920 and 1921 it was assumed that recorded departing United States citizens indicated in *Survey of Current Business*, Aug., 1928, p. 101, spent at least one thousand dollars each. Tourist expenditures in Canada were included according to the *Financial Post (Canada) "Yearbook,"* 1928, p. 138, and \$5 millions was allowed for tourist expenses in Mexico. Finally, an arbitrary allowance was included for alien-residents of the United States temporarily abroad and American citizens living abroad. The Department of Commerce estimate for 1922 is taken as approximately correct for tourist service exports in 1920 and 1921.

¹³ See Williams, 1920, *op. cit.*, 1920 and 1921, *op. cit.*, p. 202. Williams' estimate for 1921 is reduced \$100 millions.

¹⁴ Arbitrary figures for 1920 and 1921 based upon Department of Commerce figures for later years. They include imports of Canadian electric power, press subscription, patents and copyrights transferred, cablegrams, radiograms and telephone service. Exports include similar items, excluding electric power.

¹⁵ Williams' estimate of international short-term balances as of June, 1920, was corrected by applying the ratio his estimate one year later was of the Department of Commerce figures for the same date revealed in *Trade Information Bulletin*, No. 144, p. 20. The resulting figures were then related to those of the Federal Reserve Board of June 25, 1920, as indicated in Table 8. See Williams, 1921, *op. cit.*, p. 209. The 1921 estimate gives the changes indicated by Department of Commerce figures from those estimated for 1920.

APPENDIX B

LEGAL RESERVE REQUIREMENTS OF FOREIGN CENTRAL BANKS

(Source: Federal Reserve Board)¹

Country	Liabilities against Which Reserves Must Be Held	Reserve Requirements	
		Gold	Gold and Foreign Exchange
		%	%
<i>Western Europe</i>			
Austria.....	Notes and other demand liabilities, except state debt	..	24 ^{2,7}
Belgium.....	Notes and deposits	30	40
Denmark.....	Notes	30	50 ²
England.....	Notes in excess of fiduciary issue of 260 million pounds	100 ²	..
France.....	Notes and other demand liabilities	35	..
Germany.....	Notes	30	40 ²
Hungary.....	Notes and demand liabilities, except State debt	..	20 ^{2,7}
Italy.....	Notes and deposits, except fixed Treasury deposit	..	40
The Netherlands.....	Notes and other demand deposits	40 ²	..
Norway.....	Notes in excess of fiduciary issue of 250 million Kroner	100 ²	..
Spain.....	Notes	37 ^{2,2}	45 ^{2,2}
Sweden.....	Notes in excess of fiduciary issue of 125 million Kroner	50 ¹	..
Switzerland.....	Notes	40 ²	..
<i>Eastern Europe</i>			
Albania.....	Notes	22 ²	33 ^{2,2}
Bulgaria.....	Notes and other demand liabilities	..	33 ^{2,2}
Czechoslovakia.....	Notes and other demand liabilities, less debt for state notes outstanding	..	22 ^{2,2,7}
Danzig.....	Notes	..	33 ^{2,2}
Estonia.....	Notes and other demand liabilities	..	40 ²
Finland.....	Notes and other demand liabilities in excess of 1.2 billion markka	(markka) 300,000	100
Greece.....	Notes and deposits	..	40 ¹
Latvia.....	Notes	..	50 ²
Lithuania.....	Notes	33 ^{2,2}	..
Poland.....	Notes and deposits	30 ²	40 ²
Roumania.....	Notes	25	35
Russia.....	Notes	..	25 ²
<i>Africa and Asia</i>			
Egypt.....	Notes	..	50
Japan.....	Notes in excess of fiduciary issue of 120 million yen	100 ^{2,2}	..
Java.....	Notes and demand liabilities	20 ²	..
South Africa.....	Notes, deposits and bills payable	40 ²	..
<i>South America</i>			
Chile.....	Notes and deposits	..	50 ²
Colombia.....	Notes and deposits	30 ²	60 ²
Ecuador.....	Notes and deposits	..	50 ²
Peru.....	Notes and other demand liabilities	..	50
Uruguay.....	Notes (10 or more pesos) and deposits	40	60

¹ Federal Reserve Bulletin, Vol. 14, Aug., 1929, p. 563.

² May include silver as well as gold and foreign exchange. Russian reserve may include platinum.

³ Bank may permit reserve to fall below minimum subject to tax.

⁴ Government consent necessary to allow ratio to fall below minimum subject to tax.

⁵ Metallic reserve may include silver.

⁶ Fiduciary issue may be increased by Government, Ministry of Finance, or Treasury.

⁷ Ratio to be increased to 33^{2,2} % by 1938 for Austria and by 1939 for Hungary. For Czechoslovakia ratio to be raised 15% at 1% a year.

⁸ Additional reserve requirements when note issue reaches certain limits.

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